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No. 93-372

In the Supreme Court of the United States

OCTOBER TERM, 1993

SAM'S WHOLESALE CLUB, ET AL., PETITIONERS

v.

UNITED STATES OF AMERICA

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT

BRIEF FOR THE UNITED STATES IN OPPOSITION

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QUESTION PRESENTED

Whether the domestic and foreign owners of the trademark "ROLEX" are "subject to common ownership or control" within the meaning of applicable Customs Service regulations, so that the importation of watches bearing that trademark, without the permission of the domestic trademark owner, did not violate Section 526 of the Tariff Act of 1930.

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OPINIONS BELOW

The opinion of the court of appeals (Pet. App. 1a-19a) is reported at 992 F.2d 508. The opinion of the district court (Pet. App. 20a-25a) is unreported.

JURISDICTION

The judgment of the court of appeals was entered on May 21, 1993. A petition for rehearing was denied on July 22, 1993. Pet. App. 27a-28a. The petition for a writ of certiorari was filed on September 3, 1993. The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1).

STATEMENT

Petitioners purchased 83 watches bearing the "ROLEX" trademark that were imported without the permission of the domestic corporation that has registered that trademark in the United States and recorded it with the United States Customs Service. The Customs Service seized the watches on the ground that they were imported in violation of Section 526 of the Tariff Act of 1930, 19 U.S.C. 1526. The district court ordered forfeiture of the watches, and the court of appeals affirmed.

1. Section 526(a) of the Tariff Act prohibits the importation, without the written consent of the domestic trademark owner, of any merchandise bearing a trademark registered in the Patent and Trademark Office, recorded with the Customs Service, and owned "by a citizen of, or by a corporation or association created or organized within, the United States." 19 U.S.C. 1526(a). Under Customs Service regulations upheld by this Court in *K Mart Corp.* v. *Cartier, Inc.*, 486 U.S. 281 (1988), the import prohibition does not apply if "[b]oth the foreign and the U.S. trademark * * * are owned by the same person or business entity," or if "[t]he foreign and domestic trademark * * * owners are parent and subsidiary companies or are otherwise subject to common ownership or control." 19 C.F.R. 133.21(c). The regulations define "common ownership" as ownership of more than 50% of each business entity, and "common control" as "effective control in policy and operations," which is "not necessarily synonymous with common ownership." 19 C.F.R. 133.2(d).

2. Rolex Watch U.S.A. Inc., a New York corporation (Rolex USA), recorded its U.S. ownership of the

"ROLEX" trademark with the Customs Service on March 15, 1983. See 13 C.F.R. 133.1-133.7. The standard form used for recording the mark stated that Rolex USA consented to limited imports for personal use and imports consigned to it or for its account, but did not consent to other imports. Pet. App. 2a.

On June 16, 1986, Customs privately advised attorneys for Rolex USA that it proposed to discontinue protection under Section 526 for watches bearing the "ROLEX" trademark, on the ground that Rolex USA was under common ownership or control with the owner of that trademark outside the United States. Pet. App. 2a-3a. Customs' letter to that effect was never published, however, and the decision that it reflected, which was to have gone into effect 30 days after the date of the letter, was never implemented. On August 15, 1986, Rolex USA submitted further information demonstrating, to Customs' satisfaction, that the foreign and domestic owners of the "ROLEX" trademark were in fact not under common ownership or control. *Id.* at 3a-4a. The public record of Rolex USA's objection to unauthorized imports of "ROLEX" watches remained unchanged during this period.

Rolex USA is indirectly wholly owned by a Swiss foundation that also owns 86% of Montres Rolex S.A., a Swiss corporation (Rolex Geneva). Pet. App. 3a. Rolex USA and Rolex Geneva are therefore under common ownership within the meaning of the Customs regulations. *Ibid.*; see 19 C.F.R. 133.2(d)(1). Rolex Geneva manufactures watch casings (which bear its company name on the inside), assembles them with watch movements, and distributes the finished product worldwide. Pet. App. 14a, 35a. The watch

movements are manufactured by a separate Swiss corporation, Manufacture des Montres Rolex S.A. Bienne (Bienne). *Id.* at 21a. Non-U.S. rights to the "ROLEX" trademark are owned not by Rolex Geneva but by Bienne, which is not under common ownership with Rolex Geneva or Rolex USA. *Id.* at 3a, 4a. Bienne has authorized Rolex Geneva to obtain Swiss registration of various marks that are used in combination with the "ROLEX" mark, including the stylized crown figure known as the "Rolex crown." *Id.* at 3a. The record does not contain a copy of the distribution agreement between Bienne and Rolex Geneva.

3. Petitioners acquired the watches at issue here after their importation into the United States. Pet. App. 19a. After an investigation, the Customs Service seized the watches and sought their forfeiture on the ground that they had been imported without the permission of Rolex USA, and therefore in violation of Section 526. See 19 U.S.C. 1526(b). The district court agreed and ordered forfeiture, holding that the trademark at issue was "ROLEX" (Pet. App. 23a), and that petitioners had failed to demonstrate common ownership or control of the domestic and foreign holders of that mark (Rolex USA and Bienne, respectively). *Id.* at 23a-24a.

The court of appeals affirmed. At the outset, the court rejected (Pet. App. 5a-11a) petitioners' argument that an American company under foreign ownership is not entitled to protection under Section 526. After reviewing at length the legislative history and judicial and administrative construction of Section 526, the court concluded that in the absence of common ownership or control within the meaning of

the regulations, foreign ownership alone does not bar application of the statute. Pet. App. 11a.

The court of appeals agreed with the district court that the trademark at issue was the "ROLEX" mark, owned in the United States by Rolex USA and abroad by Bienne. Pet. App. 11a-13a. The court rejected petitioners' arguments that the mark at issue was the pictorial Rolex "crown" mark, owned outside the United States by Rolex Geneva, noting both that "ROLEX" was the mark recorded with the Customs Service, and "the undisputed fact that the name 'ROLEX' appears on the watches." *Id.* at 12a; see also *id.* at 23a-24a (district court opinion). The court also rejected, as a matter of both Swiss and U.S. law, petitioners' alternative argument that Rolex Geneva had become the "equitable or constructive owner" of the "ROLEX" mark by virtue of the authorization it received from Bienne to record that mark along with or as part of other marks. *Id.* at 12a-13a & n.14.

After examining the facts of this case in light of the pertinent case law, Pet. App. 14a-17a, the court of appeals agreed with the district court that petitioners had not demonstrated that Rolex USA and Bienne were subject to "effective control in policy and operations" within the meaning of the Customs regulations. *Id.* at 17a; see 19 C.F.R. 133.2(d)(2). The court recognized that the two companies had a longstanding, close and profitable business relationship. Pet. App. 14a, 17a. "Without more proof that Bienne and Rolex USA [were] subject to common control by some source other than the ties that bind two entities with" such a relationship, however, the court concluded that petitioners had not borne their

burden of showing that Rolex USA fell within the regulatory exception to Section 526. Pet. App. 17a.

Finally, the court rejected petitioners' contention that the district court erred in failing to hold a hearing on their claim that they were entitled to an "innocent owner" defense to forfeiture. Pet. App. 18a-19a. The court noted that petitioners acquired the watches only after their illegal importation, and held that, in those circumstances, recognition of what it termed an "innocent purchaser for value" defense would "seriously undermine the enforcement of the customs laws." *Id.* at 19a (citing *United States* v. *One 1984 Mercedes Benz Model No. 380SE*, 836 F.2d 268, 270 (6th Cir. 1988)). Moreover, given the fact that Rolex USA's refusal to authorize imports of trademarked goods was a matter of public record, the court pointed out that it "would seem to render useless the current system of public recordation if purchasers of imported items could ignore the listings and obtain good title by simply asking their sellers, as [petitioners] did, whether the imports were authorized." Pet. App. 19a.

ARGUMENT

1. Petitioners contend (Pet. 21-26) that Section 526's protection against unauthorized imports should never extend to American enterprises owned by foreign interests. That contention is refuted by the statute itself, which protects marks owned by any "corporation or association created or organized within * * * the United States." 19 U.S.C. 1526(a). That language is not ambiguous. Congress is well aware of the difference between the place where a corporation is organized, and the identity or allegiance of its owners; when it wishes to impose

restrictions that depend on the latter, it does so explicitly, and with the care made necessary by the ease with which corporate formalities may be manipulated. See, *e.g.*, 46 U.S.C. App. 802 (domestic ownership requirements for U.S. vessels); 26 U.S.C. 897 (added by the Foreign Investment in Real Property Tax Act of 1980, Pub. L. No. 96-499, Tit. XI, Subtit. C, § 1122(a), 94 Stat. 2682). It did not do so in Section 526.[1]

To be sure, as members of this Court remarked in *K Mart Corp.* v. *Cartier, Inc.*, 486 U.S. 281, 292 (opinion of Kennedy, J.), 298-299 (opinion of Brennan, J.), 318-319 (opinion of Scalia, J.) (1988), there is some ambiguity in the language of Section 526 on the issue of foreign ownership *of the trademark for which protection is sought*. In *K Mart*, the Court upheld Customs' regulatory interpretation that where the foreign owner of a trademark also owns or controls a U.S. corporation that seeks import protection for the same mark, that mark is not "owned by" the U.S. corporation for purposes of Section 526. That statutory ambiguity and its regulatory resolution have nothing to do, however, with the statute's threshold requirement that a corporation seeking import

[1] Contrary to petitioners' assertion, see Pet. 22, there is nothing inconsistent in extending to foreign-owned American corporations the benefits of "protectionist" legislation. See, *e.g.*, *International Raw Materials, Ltd.* v. *Stauffer Chemical Co.*, 978 F.2d 1318, 1322-1325 (3d Cir. 1992) (antitrust exemption for American exporters protects foreign-owned firms exporting from the United States), cert. denied, 113 S. Ct. 1588 (1993); *Brother Industries (USA), Inc.* v. *United States*, 801 F. Supp. 751 (Ct. Int'l Trade 1992) (foreign-owned corporation may be U.S. "manufacturer" for purposes of invoking antidumping provisions against competing imports).

protection be "created or organized" in the United States. As to that requirement, the court of appeals reviewed the relevant authorities (Pet. App. 6a-11a) and concluded that "[n]othing in the case law, legislative or regulatory history suggests that an American company under foreign ownership may not avail itself of § 526 protection."[2] *Id.* at 11a. That

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[2] Petitioners' assertion (Pet. 24) that the result in this case "conflicts with previous Customs Service practice" is incorrect. Administrative practice under the statute and regulations looks only to whether the foreign and domestic trademarks are owned by the same entity or by entities under common ownership or control. 19 C.F.R. 133.21(c)(1)-(2). Petitioners quote (Pet. 25) a 1989 notice in the *Federal Register* that refers to Customs' longstanding position that protection under Section 526 should be "reserved to independent American firms"; they fail to point out, however, that the notice (which was issued in response to this Court's decision in *K Mart*) explained that the Court had upheld the same-owner and "common ownership [or] control" tests, and announced that Customs would "continue its administration of those [tests] as in the past." 54 Fed. Reg. 51,035 (1989). Customs has always applied the common ownership or control test to require only that the domestic trademark holder be "independent" of the foreign trademark holder —not independent of all foreign interests. Similarly, the description of Customs' position that petitioners quote (Pet. 24-25) from *Yamaha Corp. of America* v. *ABC Int'l Traders, Corp.*, 703 F. Supp. 1398, 1403 (C.D. Cal. 1988), aff'd in part, rev'd in part, 940 F.2d 1537 (9th Cir. 1991) (Table), cert. denied, 112 S. Ct. 1177 (1992), merely introduces a discussion of the common ownership or control test, again applied to a domestic subsidiary of the foreign trademark owner. Finally, petitioners quote (Pet. 25) the June, 1986, Customs Service letter to Rolex USA's counsel, proposing to deny Section 526 protection to the "ROLEX" trademark under the "common ownership or control" provision of the regulations. But the tentative decision reflected in that unpublished letter was never implemented, precisely because Rolex USA submitted

conclusion is correct, and warrants no further review.

2. Petitioners contend that the Customs Service and the courts below erred in focusing on the trademark "ROLEX" rather than the Rolex "crown" mark (see Pet. 17-18), and in determining that Rolex USA and Bienne (owner of the "ROLEX" mark outside the United States) are not under "common control" within the meaning of Customs' regulations (see Pet. 12-17). Neither claim merits review.

a. The district court rejected (Pet. App. 23a-24a) petitioners' attempt to focus on marks other than the "ROLEX" mark. Acknowledging that Rolex Geneva, which is under common ownership with Rolex USA, owns foreign rights to several other marks that appear on the seized watches, the court nonetheless explained that "[r]egardless of how many marks are not eligible for import protection, as long as the 'ROLEX' mark is on the watch, the importer must first obtain Rolex USA's permission * * * because Bienne, not [Rolex] Geneva, is the foreign holder of the 'ROLEX' mark." *Ibid.* The court compared the situation to a record album containing nine unprotected songs, and one subject to a valid copyright: "Although each of the unprotected songs may be copied individually, as long as the one protected song remains, the album as a whole may not be copied without permission of the copyright owner." *Id.* at 24a. The court of appeals upheld the district court's determination. *Id.* at 11a-13a.

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further information demonstrating, to Customs' satisfaction, that it was not under common ownership or control with the foreign holder of the "ROLEX" mark, and that the regulatory exception therefore did not apply.

Petitioners maintain that the watches at issue "were seized based on the 'Rolex Crown' trademark," and that the lower court's concentration on the "ROLEX" mark "ignores * * * the complaints filed against petitioners." Pet. 17, 18. As the court of appeals held, however, the district court properly based its decision on the public record of Rolex USA's objection to imports bearing the "ROLEX" mark, and reliance on that mark by the government and the courts involved no surprise or prejudice to petitioners. Pet. App. 11a-12a & n.13. Petitioners do not dispute that the "ROLEX" name appears on the watches (see *id.* at 12a), or the court of appeals' holding (*id.* at 12a-13a) that Bienne remains the owner of the "ROLEX" mark outside the United States. Although they stress (Pet. 18) the obviously close business relationship between Rolex USA, its parent Rolex Geneva, and Bienne, petitioners have offered nothing to refute the lower courts' conclusion that the "ROLEX" mark is legally separate from (and prior to) any of the combination marks owned jointly by Rolex Geneva and Rolex USA.[3] In the absence of

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[3] The separation of trademarks (and companies) is not illogical. A Rolex watch consists of two elements: a timepiece, encased in a piece of jewelry. Rolex Geneva designs and manufactures the cases, and assembles and distributes finished watches; it contracts with Bienne to manufacture the actual timepieces. See Pet. App. 14a. So far as appears from materials filed with the court of appeals by petitioners (although apparently not part of the record before the district court), Appellants' C.A. R.E. Tab 10, at 13-15, that arrangement between independent companies goes back to the origins of the company that became Rolex Geneva. While the record does not disclose an explanation for ownership of the "ROLEX" mark by Bienne (see generally *id.* at 15-20), it is not

any such showing, the courts below were correct in proceeding on the basis of the "ROLEX" mark alone.

b. Petitioners argue (see Pet. 14-15) that because the watches in question here were originally sold by Rolex Geneva, Section 526 ought not to afford protection against their importation to Rolex Geneva's subsidiary, Rolex USA. See *K Mart*, 486 U.S. at 301 (opinion of Brennan, J.). As a policy matter, that argument is not implausible. It has little to do, however, with the language of Section 526(a), which sweeps broadly to protect any trademark "owned by" a citizen or domestic corporation. 19 U.S.C. 1526(a). In view of the statute's focus on trademark ownership, the Customs Service's implementing regulations focus not on particular distribution arrangements that may be concluded by a foreign trademark

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particularly surprising (and petitioners do not dispute) that that mark was originally registered, and has always been exclusively owned, by Bienne, the manufacturer of the timepiece. See Pet. App. 21a. Moreover, over the course of a longstanding relationship, it would be logical for derivative marks relating primarily to particular styles of watch or casing (such as "Tite Fit" or "Oyster Perpetual") to be registered (under Bienne's authorization) by the entity primarily responsible for the design, manufacture and marketing of the watch casings. Similarly, petitioners' emphasis (see, *e.g.*, Pet. 18) on the presence of Rolex Geneva's imprint on each watch is difficult to understand. Such an imprint on that part of the joint product that is manufactured and distributed by Rolex Geneva is both unremarkable and logically irrelevant to any independent rights maintained by the manufacturer of the remainder of the product. Moreover, so far as appears (see Pet. App. 35a), Rolex Geneva's name is imprinted only on the interior of the watch casing, where it would be hidden from the view of any ordinary consumer by the watch movement manufactured—and bearing the trademark owned—by Bienne.

owner, but on common ownership or control between such an owner and the U.S. owner of the same trademark.[4] See *United States* v. *Eighty-Nine (89) Bottles of "Eau de Joy"*, 797 F.2d 767, 772 (9th Cir. 1986). This Court upheld those regulations in *K Mart*, against a challenge that they unduly limited the scope of statutory protection, precisely because of their permissible resolution of ambiguities in the meaning of trademark "ownership" under the statute. See 486 U.S. at 292 (opinion of Kennedy, J.). In seeking further limitation of the statute's scope, petitioners do not challenge the validity of the existing regulations. Nor do they claim that Bienne and Rolex USA are commonly owned. Thus, in order to establish a defense to forfeiture under Customs' valid regulations, petitioners were required to bear the burden of demonstrating that Bienne and Rolex USA are under "common control" within the regulatory definition. See Pet. App. 23a. Petitioners failed to bear that burden.

Although petitioners assert in this Court (Pet. 12) that successful international distribution of Rolex watches "could not exist" without the "effective con-

[4] If, for example, a foreign trademark owner contracted with a number of independent non-U.S. distributors, and sold its U.S. trademark rights to a U.S. subsidiary of one of those distributors, the U.S. trademark owner would be entitled to protection, under Section 526 and the current regulations, so long as it was not under common ownership or control with the foreign owner. That result would not depend on whether trademarked goods imported into the United States without the consent of the U.S. trademark owner were originally sold by that owner's parent corporation, or by another authorized non-U.S. distributor. Petitioners' argument here is essentially the policy argument for a contrary result.

trol in policy and operations" required by the regulatory definition of "common control" (see 19 C.F.R. 133.2(d)(2)), they adduce in support of that proposition little more than vague generalizations about de facto "beneficial" control. See Pet. 13. Rolex USA has refuted such generalizations, however, to the satisfaction of the Customs Service, which promulgated and bears primary responsibility for interpreting the "common control" regulation (see Pet. App. 3a-4a). Petitioners have not introduced into the record a copy or even a description of the distribution agreement between Bienne and Rolex Geneva, which (in the absence of any significant common ownership, see *id.* at 21a) presumably defines the legal relationship between the two. In the absence of evidence of duration, termination, stock voting, management or control provisions in that agreement (or elsewhere) that might show that Bienne and Rolex Geneva are not in fact independent and free to continue their relationship only so long as it remains mutually beneficial, Customs' interpretation of its own regulation as it applies to the particular facts of this case is not "plainly erroneous or inconsistent with the regulation," and is entitled to "controlling weight."[5]

[5] A variety of terms in the distribution agreement, or in separate agreements among the corporate entities involved or their shareholders, or possibly certain relationships among those entities' managers, directors or stockholders even in the absence of any formal agreement, might give rise to the sort of "effective [common] control in policy and operations" recognized by the regulations. Recognition of the force of such arrangements is, of course, the point of the regulations' reference to "common control" as distinct from "common ownership." But agreements or arrangements other than ownership must,

Stinson v. *United States*, 113 S. Ct. 1913, 1919 (1993), quoting *Bowles* v. *Seminole Rock & Sand Co.*, 325 U.S. 410, 414 (1945); *Udall* v. *Tallman*, 380 U.S. 1, 16-17 (1965). Both courts below upheld Customs' determination, and the issue does not require further review.[6]

3. a. Petitioners contend (Pet. 20-21) that forfeiture of the watches in question here violates the Excessive Fines Clause of the Eighth Amendment. That argument was not raised or passed upon below, and should not be considered for the first time in this Court. See, *e.g.*, *Yee* v. *City of Escondido*, 112 S. Ct. 1522, 1531 (1992); *Adickes* v. *S. H. Kress & Co.*, 398 U.S. 144, 147 n.2 (1970). In any event, however, this Court has previously made clear that forfeiture of unlawfully imported goods, which (as in this case) "is intended to aid in the enforcement of [customs] regulations" and "prevents forbidden merchandise

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like ownership itself, be proved, not merely suggested. Petitioners failed to bear their burden of proving to Customs or the courts below any relevant control relationship between Bienne and Rolex Geneva or Rolex USA.

[6] Contrary to petitioners' suggestion (see Pet. 12, 15), the decision below does not conflict with this Court's decision in *K Mart*, which focused on common ownership (or control) of the corporations that own the relevant trademark inside and outside the United States, see 486 U.S. at 292-293 (opinion of Kennedy, J.), 298-299 (opinion of Brennan, J.), or with the decision in *Weil Ceramics & Glass, Inc.* v. *Dash*, 878 F.2d 659, 662 n.2 (3d Cir.), cert. denied, 493 U.S. 853 (1989), which involved complete common ownership between the U.S. and foreign trademark owners. The only other relevant appellate decision of which we are aware held that a licensor-licensee relationship did not, without more, create "common control" within the meaning of the Customs regulations. *United States* v. *Eighty-Nine (89) Bottles of "Eau de Joy"*, 797 F.2d at 772.

from circulating in the United States," is a remedial rather than a punitive sanction. *One Lot Emerald Cut Stones & One Ring* v. *United States*, 409 U.S. 232, 237 (1972) (per curiam). Such remedial measures are not subject to the limitations imposed on punitive fines by the Eighth Amendment. *Austin* v. *United States*, 113 S. Ct. 2801, 2806 (1993).[7]

b. Petitioners argue (Pet. 18-19) that they are entitled to assert an "innocent owner" defense to forfeiture. As the court of appeals pointed out (Pet. App. 19a), petitioners purchased the watches at issue here after their unlawful importation, so that their claim might more accurately be stated as one by an "innocent purchaser for value." Such a defense might be available, in an appropriate case, to a completely innocent transferee under this Court's decision in *United States* v. *A Parcel of Land*, 113 S. Ct. 1126 (1993)—although that case, unlike this one, involved a defense provided by statute, and the Court has

[7] In *Austin*, the Court remarked that *One Lot Emerald Cut Stones* would not support forfeiture of real property and modes of conveyance on the theory that their value represented reasonable "liquidated damages" to "compensate the Government for the expense of law enforcement activity and for its expenditure on societal problems * * * resulting from the drug trade." 113 S. Ct. at 2811-2812. The government does not argue that forfeiture of the watches in this case is compensatory. The forfeiture of items imported in violation of customs regulations is instead forfeiture of "contraband itself," which the *Austin* court "recognized * * * may be characterized as remedial because it removes dangerous or illegal items from society." *Id.* at 2811. The argument (Pet. 20) that the validity of the forfeiture under these circumstances turns on the value of the merchandise imported is plainly untenable; any such rule would merely reward large transgressions as compared to smaller ones.

consistently reserved the question of whether any such defense is available in the absence of such a statutory provision.[8] *Austin* v. *United States*, 113 S. Ct. at 2809 & n.10. This case presents no such question, however, because petitioners cannot be characterized as "innocent" in the relevant sense.

Rolex USA's ownership of the "ROLEX" mark in the United States, and its objection to the unauthorized importation of goods bearing that mark, have been matters of public record since 1983. See Pet. App. 2a, 29a. The recorded notice to that effect was never withdrawn or suspended.[9] Public recording

[8] In our view the court of appeals was correct in concluding (Pet. App. 19a) that no "innocent owner" defense should be available to owners who purchased goods from those responsible for their unlawful importation of goods into the United States. Such a defense would, as the court observed, "seriously undermine the enforcement of the customs laws" (*ibid.*, citing *United States* v. *One 1984 Mercedes Benz Model No. 380SE*, 836 F.2d 268, 270 (6th Cir. 1988)), and has little to do with the hypothetical situation posited by this Court in *Calero-Toledo* v. *Pearson Yacht Leasing Co.*, 416 U.S. 663, 689-690 (1974), on which petitioners rely (Pet. 19), of "an owner who proved not only that he was uninvolved in and unaware of the wrongful activity, but also that he had done all that reasonably could be expected to prevent the proscribed use of his property." As discussed in the text, however, because petitioners were not legally "innocent," this case would not be an appropriate vehicle for the Court to address that question.

[9] Petitioners attempt to rely (Pet. 19) on Customs' 1986 letter advising counsel for Rolex USA that it had decided to cease providing protection against importation of watches bearing the "ROLEX" mark, because it appeared that Rolex USA was under common control with the foreign owner of that mark. See Pet. App. 2a-3a. That unpublished letter did not, however, cause actual suspension of enforcement against unauthorized "ROLEX" imports, and the tentative decision to

systems like the one at issue here (see 19 C.F.R. 133.1-133.7) serve in significant part to provide constructive notice to potential importers, and subsequent purchasers, of the rights claimed by the recording parties. As the court of appeals remarked (Pet. App. 19a), that function of recording trademarks for purposes of Section 526 would be vitiated by a rule that allowed purchasers to "ignore the listings and obtain good title by simply asking their sellers * * * whether the imports were authorized."[10] It is hardly unfair to hold sophisticated wholesale purchasers of trademarked imports to awareness of recorded trademark claims.

c. The same argument is a sufficient answer to petitioners' assertion (Pet. 21) of a conflict among the

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suspend enforcement was subsequently reversed, after Rolex USA clarified the ownership and control situation to Customs' satisfaction. See *id.* at 3a-4a. The forfeiture in this case was therefore caused not by any "change in the Customs Service's position" (Pet. 19), but rather by Customs' ultimate decision *not* to alter its enforcement practice in the manner anticipated by petitioners.

[10] Indeed, given petitioners' description of the facts (Pet. 6 & n.3), the inquiry they made of their sellers as to authorization of the imports in question (see Pet. App. 19a), and their heavy reliance (see Pet. 13, 19, 25) on Customs' unpublished letter proposing to cease enforcing the rights claimed by Rolex USA under Section 526, it appears that petitioners were well aware of the prima facie existence of those rights. Parties are, of course, free to accept a seller's representations of facts contrary to the documentary evidence, to seek indemnification from the seller if the matter seems doubtful, or simply to gamble commercially on the outcome of factual inquiries, legal challenges, or anticipated changes in administrative positions. They are not free to claim surprise or "innocence" when the representations prove false or the gambles fail.

circuits on the availability of the innocent owner defense: because the owners here had adequate notice of Rolex U.S.A.'s claims, they cannot be classified as "innocent," and that defense would not be available to them under any theory. In any event, the cases petitioners cite demonstrate no conflict. *United States* v. *One Tintoretto Painting*, 691 F.2d 603 (2d Cir. 1982), held only that a claimant had raised a triable issue of fact as to his innocence, including his reasonable efforts to prevent illegal use of his property, where he alleged that he had contracted with an acquaintance to sell a painting, including payment of any applicable duties, and the acquaintance had subsequently independently attempted to avoid any such duties in violation of U.S. law. *Id.* at 607-608. That case is easily distinguished from this case and the others cited by petitioner.

This case involves the purchase, by an allegedly innocent party, of goods imported illegally into the United States. *One 1984 Mercedes Benz*, which also upheld a forfeiture, likewise involved a claim by an allegedly innocent purchaser, where the sale itself violated the terms under which the seller was permitted to import the forfeited vehicle. 836 F.2d at 270. Finally, *United States* v. *One (1) 1976 Cessna Model 210L Aircraft*, 890 F.2d 77, 81-82 (8th Cir. 1989), primarily held that the claimants in that case had not made reasonable efforts to prevent illegal use of their property, and further remarked that the claimants "would not have had the opportunity to purchase [the seized] aircraft had it not been for" illegal activity of another owner prior to that on which forfeiture was based. None of these cases

conflicts in holding or reasoning with the decision in *One Tintoretto Painting*.

CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted.

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